

# Transient Occupancy Tax Fund

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**T***o provide funding for the Conventions, Arts and Entertainment Operating Subsidy, Cultural Grants, and the San José Convention and Visitors Bureau*

*Beginning in 1982, the City Council initiated a 6% Transient Occupancy Tax (TOT) on all hotel/motel rooms in San José. The revenues are collected in the TOT Fund (461) and the increment of growth is distributed by formula to three program categories: the Conventions, Arts and Entertainment Operating Subsidy (50% of the TOT increase), Cultural Grants (25% of the TOT increase) and the San José Convention and Visitors Bureau (25% of the TOT increase)*

# Transient Occupancy Tax Fund

## Budget Summary

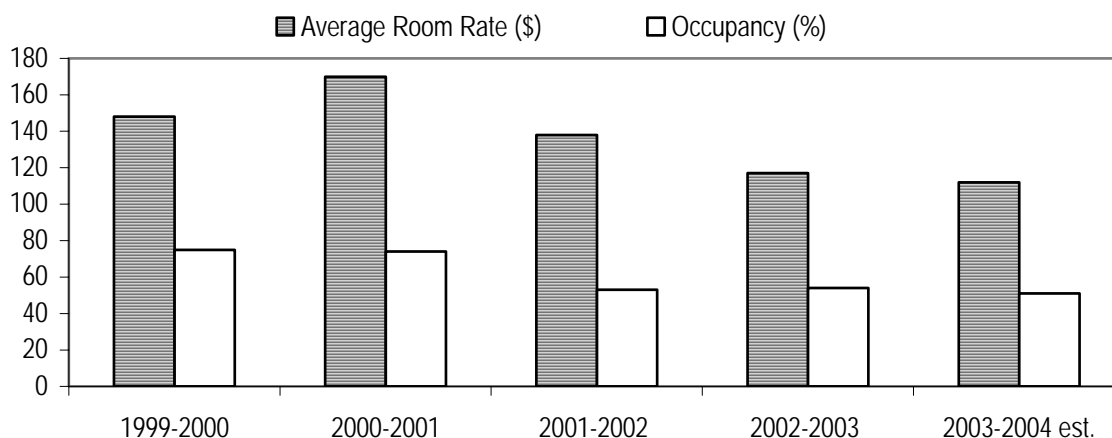
	2003-2004 Adopted	2004-2005 Adopted	Change
CAE Operating Subsidy	\$ 4,438,740	\$ 3,879,865	(12.6%)
Cultural Grants	\$ 2,764,323	\$ 2,256,886	(18.4%)
San José Convention & Visitors Bureau	\$ 2,412,688	\$ 2,133,250	(11.6%)

## Budget Highlights 2004-2005

- Although a modest (2%) increase from the projected current year collection level for Transient Occupancy Tax (TOT) revenue is anticipated, this would still represent a total well below recent years due to a 13.7% drop in revenue in 2002-2003 and a 37.7% drop in collections in 2001-2002. For 2004-2005, the revenue estimate presumes slight growth as a result of additional hotel rooms and a modest recovery.
- Projected revenues for 2004-2005 and adjustments to account for undercollection in 2003-2004 will result in a 11-13% drop in the allocations for the three recipient organizations when compared to 2002-2003 Adopted Budget Levels.

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### TOT Indicators: Room Rates and Occupancy



# Transient Occupancy Tax Fund

## Fund Overview

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The 2004-2005 Adopted Budget for the City's Transient Occupancy Tax (TOT) Fund presumes a 2% growth over the level of revenue expected to be collected in fiscal year 2003-2004. This modest increase reflects the combined impact of an expected mild recovery from the recent three year drop in the travel industry, and the presence of additional hotel rooms. The serious impact of the slowdown in the local economy and the travel industry is illustrated by a review of the recent history of the revenue source. The 2003-2004 estimated collection level is about 2.4% below that of the 2002-2003 actual collection level. In turn, the 2002-2003 collection level was 13.7% below that of the 2001-2002 actual collection level, which was 37.7% below that of 2000-2001 actual receipts.

By ordinance, the TOT Fund is used to provide funding for the Conventions, Arts and Entertainment (CAE) Operating Subsidy, Cultural Grants, and the San José Convention and Visitors Bureau (CVB).

As a result of poor performance in revenue, two actions were taken after the 2003-2004 Adopted Budget. The first was a reduction of transfers to the three recipients in the 2002-

2003 Annual Report to account for a \$600,000 revenue shortfall from that year. The second was a further reduction in the transfer as part of the 2003-2004 Mid-Year Budget Review to account for what was then estimated to be a likely \$900,000 revenue shortfall for 2003-2004. Since then, unfortunately, the status of this revenue source has declined further. It is now estimated that an additional \$500,000 shortfall in revenue may be experienced by year end. If that turns out to be the case, all three recipients will have again received overallocation of proceeds. As was the case earlier this year, these overages will need to be taken back as a net decrease to their 2004-2005 allocation. Thus, the amount shown for 2004-2005 for CAE, Cultural Grants and CVB have been reduced by \$250,000, \$125,000 and \$125,000 respectively. The apparent larger decrease in the allocation in 2004-2005 for Cultural Grants actually reflects the fact that the 2003-2004 budget included a one-time rebudget of unexpended 2002-2003 grants in the amount of \$228,000.

The ending fund balance is made up of a reserve for encumbrances, reserve for loans outstanding, and unrestricted fund balance.

# Transient Occupancy Tax Fund

## Fund Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Estimate 3	2004-2005 Adopted 4	% Change (2 to 4)
<b>Dollars by Sources</b>					
Beginning Fund Balance	\$ 1,722,125	\$ 829,641	\$ 1,436,778	\$ 657,767	(20.7%)
TOT Revenues	8,800,000	9,987,750	8,587,750	8,770,000	(12.2%)
Interest	53,381	100,000	100,000	100,000	0.0%
<b>Total</b>	<b>\$ 10,575,506</b>	<b>\$ 10,917,391</b>	<b>\$ 10,124,528</b>	<b>\$ 9,527,767</b>	<b>(12.7%)</b>
<b>Dollars by Uses</b>					
CAE Operating Subsidy	\$ 3,406,052	\$ 4,438,740	\$ 5,003,695	\$ 3,879,865	(12.6%)
Cultural Grants	3,358,777	2,764,323	2,425,378	2,256,886	(18.4%)
SJ Convention/Visitors Bureau	2,303,010	2,412,688	2,037,688	2,133,250	(11.6%)
Rev Enhancement Consulting	36,000	0	0	0	N/A
Technical Assistance Prog.	34,889	0	0	0	N/A
Ending Fund Balance	1,436,778	1,301,640	657,767	1,257,766	(3.4%)
<b>Total</b>	<b>\$ 10,575,506</b>	<b>\$ 10,917,391</b>	<b>\$ 10,124,528</b>	<b>\$ 9,527,767</b>	<b>(12.7%)</b>

# Transient Occupancy Tax Fund

## Budget Category: Conventions, Arts and Entertainment Operating Subsidy

### Budget Category Overview

The CAE Operating Subsidy supports administration, maintenance, and operations at the Convention and Cultural Facilities, which include the Convention Center, Center for Performing Arts, Montgomery Theater, Civic Auditorium, Parkside Hall, and McCabe Hall. The remaining operating costs are funded by operating revenues from these facilities, which are captured in the Convention and Cultural Affairs Fund. Because the total operating expenses are not delineated by funding source, the specific operations supported by TOT funding cannot be isolated. Personal services and non-personal/equipment expenses, which

are partially funded by the increment of growth in the TOT, appear in the CAE Department section of this document.

Approximately 47.1% of the total 2004-2005 TOT revenue is allocated to fund a portion of the operating expenses at the Convention and Cultural Facilities.

The higher figure for the 2003-2004 estimate is due to a deferred transfer of \$1.3 million from 2002-2003 to 2003-2004 to alleviate the cash flow situation in this fund. No other recipients were affected by this situation.

### Budget Category Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Estimate 3	2004-2005 Adopted 4	% Change (2 to 4)
CAE Operating Subsidy	\$ 3,406,052	\$ 4,438,740	\$ 5,003,695	\$ 3,879,865	(12.6%)
<b>Total</b>	<b>\$ 3,406,052</b>	<b>\$ 4,438,740</b>	<b>\$ 5,003,695</b>	<b>\$ 3,879,865</b>	<b>(12.6%)</b>

# Transient Occupancy Tax Fund

## Budget Category: Cultural Grants

### Budget Category Overview

**E**ach year, the Arts Commission solicits and evaluates applications for funding under the Cultural Grants category (using criteria approved by the City Council). The Arts Commission then submits recommendations for Cultural Grants and Technical Assistance Grants to the City Council for consideration during the annual budget process. Approximately 27.2% of the total 2004-2005 TOT revenue is allocated to fund Cultural Grants. Additional grant

funding is provided by the General Fund, but is transferred into the Convention and Cultural Affairs Fund, which appears elsewhere in this document. Any unexpended Cultural Grant funding is rebudgeted for expenditure in the next fiscal year.

Detailed information for the 2004-2005 TOT Cultural Grants program awards are listed in this section to provide a picture of the City's Cultural Grants Program.

### Budget Category Summary

	<b>2002-2003 Actual 1</b>	<b>2003-2004 Adopted 2</b>	<b>2004-2005 Estimate 3</b>	<b>2004-2005 Adopted 4</b>	<b>% Change (2 to 4)</b>
Cultural Grants	\$ 3,358,777	\$ 2,764,323	\$ 2,425,378	\$ 2,256,886	(18.4%)
<b>Total</b>	<b>\$ 3,358,777</b>	<b>\$ 2,764,323</b>	<b>\$ 2,425,378</b>	<b>\$ 2,256,886</b>	<b>(18.4%)</b>

# Transient Occupancy Tax Fund

## Budget Category: San José Convention and Visitors Bureau

### Budget Category Overview

Approximately 25.7% of the total 2004-2005 estimated TOT revenue is allocated to the San José Convention and Visitors Bureau (CVB). The City contracts with the CVB to provide long-term booking of events at the Convention Center, market the Convention Center, promote traveling to San José for business and pleasure, and assist visitors.

CVB also receives funding from the General Fund (shown in the City-Wide Expenses section of this document) and other sources such as San José businesses, restaurants, and hotels to provide similar services, which are not represented here.

### Budget Category Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2003-2004 Estimate 3	2004-2005 Adotped 4	% Change (2 to 4)
SJ Convention/Visitors Bureau	\$ 2,303,010	\$ 2,412,688	\$ 2,037,688	\$ 2,133,250	(11.6%)
<b>Total</b>	<b>\$ 2,303,010</b>	<b>\$ 2,412,688</b>	<b>\$ 2,037,688</b>	<b>\$ 2,133,250</b>	<b>(11.6%)</b>

# Transient Occupancy Tax Fund

## Budget Category: Cultural Grants

### Budget Category Overview (Cont'd.)

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<b>Cultural Grants Allocations</b>	<b>Total Grant</b>
Abhinaya Dance Company of San Jose	\$ 18,629
American Musical Theatre of San Jose	147,673
Arab Film Festival	5,250
Associated Students of San Jose State University, Inc.	11,323
Association for Viet Arts	7,350
Aztlan Academy - San Jose, Inc.	12,600
Ballet Afsaneh Art and Culture Society	2,800
Bay Area Glass Institute, Inc.	6,300
Center for Literary Arts	16,200
Chinese Performing Artists of America, San Jose	14,587
Cinequest, Inc.	47,790
City Lights Performance Group	15,346
Contemporary Asian Theater Scene	7,034
Dimension Performing Arts	11,726
Firebird Youth Chinese Orchestra	13,968
Kaisahan of San Jose Dance Company	14,330
KTEH TV Foundation	13,968
Los Lupenos de San Jose	15,797
Margaret Wingrove Dancers	9,800
Mexican Heritage Corporation of San Jose	60,389
Movimiento de Arte y Cultura Latino Americana	29,568
Northside Theatre Council of San Jose	13,653
Opera San Jose, Inc.	128,798
Rainbow Women's Chorus	2,765
Russian Music Competition, Inc.	13,968
San Jose Center for Poetry and Literature	5,704
San Jose Chamber Music Society	13,968
San Jose Chamber Orchestra	13,450
San Jose Children's Discovery Museum	77,066
San Jose Children's Musical Theater	73,381
San Jose Cleveland Ballet (dba Ballet SJSV)	149,441
San Jose Dance Theatre	10,500
San Jose Institute of Contemporary Art	32,571
San Jose Jazz Society	62,239
San Jose Jewish Film Festival	10,500
San Jose Multicultural Artists Guild	13,956
San Jose Museum of Art Association	218,498
San Jose Museum of Quilts and Textiles	31,909
San Jose Repertory Theatre	200,273
San Jose Stage Company	38,350
San Jose Symphonic Choir	9,396
San Jose Taiko Group, Inc.	24,821
San Jose Youth Symphony	13,968

# Transient Occupancy Tax Fund

## Budget Category: Cultural Grants

### Budget Category Overview (Cont'd.)

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<b>Cultural Grants Allocations (Cont'd.)</b>	<b>Total Grant</b>
Santa Clara Valley Performing Arts Association	\$ 13,192
Shri Krupa Dance Foundation	10,500
San Jose DANCE Company	2,500
South Bay Guitar Society of San Jose	10,321
Steinway Society The Bay Area	13,192
Tapestry Arts San Jose, Inc.	12,600
Teatro Vision de San Jose	33,089
The Flamenco Society of N. California in San Jose	5,634
The Gilbert & Sullivan Society of San Jose	13,968
The Winchester Orchestra of San Jose	9,312
Valley Medical Center Foundation	2,832
Works/San Jose	12,416
Young Audiences, Inc. of San Jose & Silicon Valley	30,009
Reserve	255,034
Unallocated	190,684
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